KWADUKUZA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 57, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

MOS ZUNGU **Date**
MUNICIPAL MANAGER

KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		**594 776 647**	**511 033 940**
Housing operating account	1	31 551 986	47 285 425
Accumulated surplus		563 224 661	463 748 515
Non-current liabilities		**133 661 749**	**128 997 603**
Long-term liabilities	2	98 620 525	97 509 969
Non-current provisions	3	2 333 333	2 333 333
Retirement benefits	4.1	26 034 064	24 069 482
Long service awards and retirement gifts	4.2	6 673 827	5 084 819
Current liabilities		**115 271 364**	**94 522 250**
Deposits	5	12 822 539	11 201 649
Provisions	6	6 166 667	1 166 667
Creditors	7	82 835 102	67 821 799
Unspent conditional grants and receipts	8	8 352 264	11 416 123
Current portion of long-term liabilities	2	5 094 793	2 916 012
Total Net Assets and Liabilities		***843 709 760***	***734 553 793***
ASSETS			
Non-current assets		**587 710 036**	**543 227 232**
Property, plant and equipment	10	471 567 386	432 169 305
Intangible assets	11	312 991	2 418 704
Investment properties	12	61 335 000	68 371 000
Investments	13	54 392 952	40 021 840
Long-term receivables	14	101 707	246 383
Current assets		**255 999 724**	**191 326 561**
Inventories	15	22 827 656	12 870 189
Consumer debtors	16	82 827 144	55 143 279
Other debtors	17	22 313 324	25 704 933
Value added taxation	9	2 177 732	1 175 059
Current portion of long-term receivables	14	195 519	2 573 400
Call investment deposits	18	82 875 457	72 108 229
Bank balances and cash	19	42 782 892	21 751 472
Total Assets		***843 709 760***	***734 553 793***

KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
REVENUE		**R**	**R**
Property rates	20	140 494 430	84 635 221
Property rates - penalties imposed and collection charges		10 447 355	5 136 662
Service charges	21	175 391 541	161 709 634
Rental of facilities and equipment		972 023	591 988
Interest earned investments		13 992 398	8 571 732
Interest earned outstanding debtors		1 875 246	3 717 060
Fines		3 135 979	5 747 604
Licences and permits		4 622 606	3 978 154
Government grants and subsidies	22	65 863 794	41 771 121
Other income	28	15 933 137	11 133 166
Gain on disposal of property, plant and equipment		4 484 163	5 085 721
Revaluation of investment properties	12	-	61 352 200
Total Revenue		**437 212 672**	**393 430 263**
EXPENDITURE			
Employee related costs	23	96 906 680	82 091 345
Remuneration of councillors	24	7 934 204	7 167 028
Collection costs		1 985 801	1 612 180
Ammortisation	11	77 208	309 220
Depreciation	10	27 153 325	19 217 933
Repairs and maintenance		29 104 436	24 578 997
Finance costs	25	12 874 285	10 215 218
Bulk purchases	26	98 765 960	92 342 390
Contracted services		14 767 798	10 196 506
Retirement and long services benefits		3 594 256	2 877 686
General expenses	27	72 267 532	63 134 917
Adjustments to provisions	16	(13 272 459)	(5 471 714)
Bad debts written off		21 697 614	-
Revaluation of investment properties	12	7 036 000	-
Less: Recharges		(26 754 434)	(22 529 754)
Total Expenditure		**354 138 206**	**285 741 951**
SURPLUS FOR THE YEAR		**83 074 466**	**107 688 312**

KWADUKUZA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2008

	Housing Operating Account R	Accumulated Surplus R	Total R
2006/07			
Balance as previously reported	105 567 327	427 398 301	532 965 628
Correction of errors (Note 36)	(51 034 296)	(57 149 749)	(108 184 045)
Restated balance at 30 June 2006	54 533 031	370 248 552	424 781 583
Surplus for the year	-	107 688 311	107 688 311
Prior year adjustments	-	(5 653 035)	(5 653 035)
Changes in accounting estimates (Note 41)	-	(7 139 343)	(7 139 343)
Transfer from Unspent Grants and Subsidies	-	22 706	22 706
Transfer to Housing Operating Account - Deficit on housing activities	(2 652 580)	2 652 580	-
Transactions processed through Housing Operating Account	(8 666 282)	-	(8 666 282)
Transfer to Housing Operating Account - funding of discounts and benefits	4 071 256	(4 071 256)	-
Balance at 30 June 2007	**47 285 425**	**463 748 515**	**511 033 940**
2007/08			
Surplus for the year	-	83 074 466	83 074 466
Prior year adjustments	-	616 860	616 860
Correction of error (Note 36)	10 634 626	-	10 634 626
Project expenditure allocated	(1 514 019)	-	(1 514 019)
Reallocation of project expenditure	1 698 069	-	1 698 069
Transfer to Housing Operating Account - Deficit on housing activities	(15 784 820)	15 784 820	-
Creation of Department of Housing Agency Debtors Account	(10 767 295)	-	(10 767 295)
Balance at 30 June 2008	**31 551 986**	**563 224 661**	**594 776 647**

	Note	2008 R	2007 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		395 422 104	386 202 428
Cash paid to suppliers and employees		(300 939 817)	(286 910 296)
Cash generated from / (utilised by) operations	30	94 482 289	99 292 132
Interest received		13 992 398	8 571 732
Finance costs		(12 874 285)	(10 215 218)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**95 600 402**	**97 648 646**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(60 433 905)	(56 283 406)
Proceeds on disposal of property, plant and equipment and investment property		5 395 168	6 106 067
(Increase) / decrease in non-current receivables		697 869	(5 337 693)
Decrease / (increase) in non-current investments		(14 371 112)	(4 648 041)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(68 711 980)**	**(60 163 073)**
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		7 933 397	21 634 320
Loans repaid		(4 644 059)	(3 250 703)
Increase in consumer deposits		1 620 890	1 436 062
NET CASH FLOWS FROM FINANCING ACTIVITIES		**4 910 228**	**19 819 679**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**31 798 650**	**57 305 252**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**93 859 700**	**36 554 448**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	**125 658 349**	**93 859 700**

		2008 R	2007 R
1.	**HOUSING OPERATING ACCOUNT**		
	Housing Operating Account	**31 551 986**	**47 285 425**
	The Housing Development Fund is represented by the following assets and liabilities:		
	Fixed Assets	7 515 254	7 783 627
	Housing Inventory	20 305 000	10 712 918
	Debtors	185 835	14 908 701
	Debtors: Department of Housing	1 893 175	-
	Cash and cash equivalents	12 420 017	13,880,179
	Agency account creditors	(10 767 295)	-
	Total Housing Operating Account Assets and Liabilities	**31 551 986**	**47 285 425**
2.	**LONG-TERM LIABILITIES**		
	Local Registered Stock Loans	36 006 000	36 946 000
	Non Annuity Loans	59 896 663	55 314 700
	Annuity Loans	7 812 655	8 165 281
	Sub-total	103 715 318	100 425 981
	Less: Current portion transferred to current liabilities	5 094 793	2 916 012
	Annuity Loans	1 907 771	524 745
	Non Annuity Loans	3 187 022	2 391 267
	Total External Loans	**98 620 525**	**97 509 969**

Refer to Appendix A for more detail on long-term liabilities.

Local registered stock
Bear interest at rates between 9% and 17% per annum and are repayable over periods between one and three years

Annuity loans
Bear interest at rates between 12% and 18% per annum, are being redeemed in monthly instalments, including interest, over varying periods until 2017

Security - investments
The long term liabilities for local registered stock and one non annuity loan are secured by zero coupon investments which are guaranteed to earn sufficient investment revenue over the period of the loans which will redeem them at maturity.

Non Annuity Loans - Bank Loans
Bear interest at Prime Less 1%, Base rate plus 2.7% and 11.63% are being redeemed in monthly instalments, including interest, over varying periods until 2025

Non Annuity Loans - Security Investments
Bear interest at 16% per annum and is repayable in three years.

		2008 R	2007 R
3.	**NON-CURRENT PROVISIONS**		
	Provision for the eradication of alien vegetation	2 333 333	3 500 000
	Provision for the rehabiliation of the landfill site	5 000 000	-
	Sub-total	7 333 333	3 500 000
	Less: Current portion transferred to current liabilities	5 000 000	1 166 667
	Provision for the eradication of alien vegetation	-	1 166 667
	Provision for the rehabiliation of the landfill site	5 000 000	
	Total Non-Current Provisions	**2 333 333**	**2 333 333**
	The movement in current provisions are reconciled as follows:		
	Eradication of alien vegetation		
	Balance at beginning of year	2 333 333	-
	Contributions to provision	-	3 500 000
	Payments made	-	-
	Balance at end of year	**2 333 333**	**3 500 000**

The provision created is for cost of eradication of alien vegetation in respect of the municipality's obligation to clear all municipal land of invasive alien plants and to encourage private property owners to do the same. The provision is calculated in line with the medium term revenue and expenditure framework of the Council.

The provision created for the rehabilitation of the landfill site is based on managements assessment of the rehabiliation costs of the Shakaville dumpsite. A study will be done to determine the cost estimate in the near future. The provision is calculated in line with the medium term revenue and expenditure framework of the Council.

4. RETIREMENT BENEFITS

The Municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement). The valuer carries out a statutory valuation on a triennial basis and an interim valuation on an annual basis (the 2006 interim has been completed). No valuation was performed in 2008.

Superannuation

An interim actuarial valuation of the Fund was carried out for the period ending 31 March 2006. The actuarial value of total assets was more (less) than the actuarial value of liabilities for the service of members to that date and for pensioners by:	121 700 000	121 700 000
made up as follows:		
For service to 31 March 2006		
for pensioners - surplus funding level 119.4%	210 000 000	210 000 000
for members - deficit funding level 95.0%	(88 300 000)	(88 300 000)
attributable to salary increases being higher than expected of	49 000 000	49 000 000
The fund did not hold an Investment Reserve at 31 March 2006.		
For service after 31 March 2006		
The total contribution rate payable (excluding the surcharge) exceeded that required for future service by 1.4% (2005 : 1.0%) of pensionable emoluments, or per year	49 000 000	49 000 000

	2008 R	2007 R

4. RETIREMENT BENEFITS (Continued)

Conclusion

The funding level of the Fund improved over the valuation period. The actuary is satisfied that the self-reinsurance arrangement is appropriate for the Fund; the asset composition of the Fund is appropriate to the nature of the liabilities; the contributions being paid to the Fund are sufficient to meet the expected cost of future benefits;		
If his recommendation of an additional surcharge of Total 6% of members' pensionable emoluments is retained (accepted) by the General Committee at the forthcoming Annual General Meeting, the deficit will be eliminated within 2 years.	3%	3%
A recent study undertaken of the expected impact that A I D S will have on the Fund shows that although the Fund is fairly well protected in relation to other funds, A I D S is likely to result in an increase in the required rate of contribution of members' pensionable emoluments by 2010 of some	4%	4%
However, once the deficit in the Fund has been met the excess contributions will meet the increased cost resulting from A I D S for the foreseeable future. It is therefore not necessary at this stage to adjust either the benefits or the contributions.		

Provident Fund

The salient features of the Statutory (Interim) Valuation Report on the fund as at 31 March 2006 were that the net market value of the Fund's assets were sufficient to fully cover the members' share account and to provide total reserves of;	46 638 000	46 638 000
The total interim rate of bonus credited over the year to members was compound	46%	46%
A further bonus to all members at 30 September 2006 has been approved by the Committee of Management of	3%	3%
Subsequent to the year end, a final bonus to all members at 30 September 2006 has been approved by the Committee of Management of	5%	5%
The actual cost of death benefits and expenses was less than the 3.75% of pensionable emoluments available to meet the same and it is recommended that death benefits be further reduced with effect from 01 July 2005 based on the pre-July 2004 level to	0%	0%
The Actuary is satisfied that the asset composition of the Fund is appropriate to the nature of the liabilities and the Fund was in a sound financial condition at 31 March 2006.		

	2008 R	2007 R
4. RETIREMENT BENEFITS (Continued)		
Retirement Fund		
The salient features of the Statutory (Interim) valuation of the fund at 31 March 2006 are:		
The actuarial value of total assets of the fund was less than the actuarial value of the liabilities for the service of members to that date and for pensioners by	(140 900 000)	(140 900 000)
made up as follows:		
For service to 31 March 2006		
for pensioners - funding level 116.2%	63 400 000	63 400 000
for members - funding level 73.0%	(204 300 000)	(204 300 000)
The fund was thus funded	88%	88%
The fund did not hold an Investment Reserve.		
For service after 31 March 2006		
The total contribution rate payable, including the total surcharge of 14% payable by and on behalf of pre 01 July 2002 members and by employers, exceeded that required for future service of members' pensionable emoluments of	11%	11%
Conclusion		
The funding level is	88%	88%
The actuary is satisfied that the self-insurance arrangement is appropriate for the Fund, the asset composition of the Fund is appropriate to the nature of the liabilities, the contributions being paid to the Fund are sufficient to meet the expected cost of future benefits A study undertaken in 2002 of the expected impact that A I D S will have on the Fund shows that although the Fund is fairly well protected in relation to other funds, A I D S is likely to result in an increase in the required rate of contribution of members' pensionable emoluments by 2010 of some	4%	4%
The matter will be addressed again at a future date.		
Statement of Financial Position obligation for:		
Post-employment medical benefits	26 034 064	24 069 482
Long Service Award	6 673 827	5 084 819
	32 707 891	**29 154 301**
Statement of Financial Performance obligation for:		
Post-employment medical benefits	1 964 583	2 307 549
Long Service Award	1 589 008	570 137
	3 553 591	**2 877 686**
Additional retirement costs	40 665	-
	3 594 256	**2 877 686**

	2008 R	2007 R

4. RETIREMENT BENEFITS (Continued)

4.1 Post-employment medical benefits

The municipality operates on 3 accredited medical aid schemes, namely Bonitas, NMMAF and Sanitas. Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ARCH actuarial consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	10.85%	8%
Health care cost inflation rate	9.69%	6.5%
Net effective discount rate	1.05%	1.41%
Benchmark inflation (equal to salary inflation)	0%	6.0%
Average retirement age	63	63
Proportion continuing membership at retirement	90%	90%
Proportion of retiring members who are married	90%	90%
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate
Mortality post-retirement	PA90-1 ultimate	PA90-1 ultimate
(No explicit assumption was made about additional mortality or health care costs due to AIDS).		
Percentage of in-service members withdrawing before retirement:		
Age 20	40%	50%
Age 30	25%	26%
Age 40	12%	16%
Age 50	4%	6%
Age 55+	0%	1%
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:	**26 034 064**	**24 069 482**

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	24 069 482	21 761 933
Current service cost	886 196	763 225
Interest cost	1 925 559	1 740 955
Benefit payments	(681 091)	(665 410)
Actuarial gains/(losses)	(166 081)	468 779
Balance at end of year	**26 034 065**	**24 069 482**

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	886 196	763 225
Interest cost	1 925 559	1 740 955
Benefit payments	(681 091)	(665 410)
Actuarial gains/(losses)	(166 081)	468 779
Total, included in employee benefits expense (Note 24)	**1 964 583**	**2 307 549**

	2008 R	2007 R
4. RETIREMENT BENEFITS (Continued)		
4.2 Long service awards		
The independent valuers, ARCH actuarial consulting, carry out a statutory valuation on an annual basis. The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	6 673 827	5 084 819
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	**6 673 827**	**5 084 819**
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	5 084 819	4 514 682
Current service cost	416 447	371 286
Interest cost	406 786	361 175
Actuarial losses	1 461 112	319 395
Benefit payments	(695 337)	(481 719)
Balance at end of year	**6 673 827**	**5 084 819**
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	416 447	371 286
Interest cost	406 786	361 175
Actuarial losses	1 461 112	319 395
Benefit payments	(695 337)	(481 719)
Total, included in employee benefits expense (Note 23)	**1 589 008**	**570 137**
The principal actuarial assumptions used were as follows:		
Discount rate per annum	10.97%	8%
General Salary Inflation (long term)	9.03%	6%
Retirement Gift Inflation (long term)	8.03%	5%
Net effective discount rate	1.78%	2%
Examples of mortality rates used were as follows:		
Average retirement age	63 years	63 years
Mortality during employment	SA85-90 Ultimate	SA85-90 Ultimate
Members withdrawn from service:		
Age 20	40%	50%
Age 30	25%	26%
Age 40	15%	16%
Age 50	4%	6%
Age 55	0%	1%
5. DEPOSITS		
Electricity	12 822 539	11 201 649
Guarantees held in lieu of electricity deposits	2 060 779	2 155 599
6. PROVISIONS		
Eradication of alien vegetation - current portion	1 166 667	1 166 667
Rehabilitation of landfill site	5 000 000	-
	6 166 667	**1 166 667**

		2008 R	2007 R
7.	**CREDITORS**		
	Trade creditors	26 133 670	33 759 477
	Payments received in advance	5 306 016	11 352 423
	Deposits - other	2 366 816	2 036 455
	Staff leave	5 459 859	4 430 664
	Other creditors	43 568 741	16 242 780
	Total Creditors	**82 835 102**	**67 821 799**
8.	**UNSPENT CONDITIONAL GRANTS AND RECEIPTS**		
	Conditional Grants from other spheres of Government	8 352 264	11 416 123
	Municipal Infrastructure Grant	3 296 612	3 845 966
	Financial Management Grant	391 355	375 578
	Department of Trade and Industry	-	2 659 504
	Umsobomvu	-	108 865
	Integrated Development Plan	-	3 915
	Performance Management Systems	-	50 000
	Interdepartmental Monitoring Systems	40 000	40 000
	Geographical Information Systems	-	16 059
	Land Use Management Systems	322 000	392 000
	Department of Minerals and Energy	-	1 962
	Municipal Systems Improvement Grant	-	5 790
	New Library	-	1 707 715
	Admin Capacity	100 000	100 000
	Department of Local Government and Traditional Affairs	-	250 000
	Local Economic Development	123 251	123 251
	Community Development Workers	16 351	16 351
	Other Grants and Subsidies	-	1 719 167
	Property Rates Implementation	133 000	-
	Development Bank of South Africa	262 774	-
	Department of Sports and Recreation	325 000	-
	CDB Revitalization	1 000 000	-
	Agricultural	3 731	-
	King Shaka	338 190	-
	Municipal Assistance Programme	2 000 000	-
	Total Conditional Grants and Receipts	**8 352 264**	**11 416 123**

See Note 22 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized.

9.	**VALUE ADDED TAXATION**	**2 177 732**	**1 175 059**

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS

10. PROPERTY, PLANT & EQUIPMENT

30 June 2008

Reconciliation of Carrying Value	Properties	Infrastructure other	Vehicles	Civil Roads	Civil Stormwater	Electrical	Toolbox	Housing	RDP funds	Under Construction	Total
	R	R	R	R	R	R	R	R	R	R	R
Carrying Values at 30 June 2007	**40 920 353**	**5 497 150**	**16 597 879**	**58 577 450**	**93 118 713**	**193 687 274**	**5 759 375**	**7 783 627**	**-**	**10 227 485**	**432 169 305**
Cost	42 539 300	5 896 475	23 590 061	114 933 386	107 120 813	289 309 891	9 013 821	8 052 000	-	10 227 485	610 683 232
Accumulated depreciation	(1 618 947)	(399 325)	(6 992 182)	(56 355 936)	(14 002 100)	(95 622 617)	(3 254 446)	(268 373)	-	-	(178 513 927)
Acquisitions	3 681 156	6 357 418	13 741 170	6 858 008	972 069	2 674 142	3 755 887	-	-	-	38 039 851
Capital under construction	-	-	-	-	-	-	-	-	-	27 292 294	27 292 294
Construction brought into use	2 886 422	-	-	6 805 083	-	-	34 209	-	-	(9 725 714)	-
											-
Transfer from intangible assets (note 11)	-	-	-	-	-	-	2 130 266	-	-	-	2 130 266
Cost	-	-	-	-	-	-	3 095 895	-	-	-	3 095 895
Accumulated depreciation	-	-	-	-	-	-	(965 630)	-	-	-	(965 630)
Depreciation	(130 370)	(5 196 954)	(2 181 639)	(4 177 351)	(3 574 576)	(9 636 777)	(1 987 285)	(268 373)	-	-	(27 153 325)
Carrying Value of disposals	(911 005)	-	-	-	-	-	-	-	-	-	(911 005)
Cost	(969 000)	-	(2 228 369)	-	-	-	-	-	-	-	(3 197 369)
Accumulated depreciation	57 995	-	2 228 369	-	-	-	-	-	-	-	2 286 364
Carrying Values at 30 June 2008	**46 446 557**	**6 657 614**	**28 157 410**	**68 063 190**	**90 516 205**	**186 724 639**	**9 692 452**	**7 515 254**	**-**	**27 794 065**	**471 567 386**
Cost	48 137 878	12 253 893	35 102 862	128 596 477	108 092 882	291 984 033	15 899 813	8 052 000	-	27 794 065	675 913 903
Accumulated depreciation	(1 691 322)	(5 596 279)	(6 945 452)	(60 533 287)	(17 576 677)	(105 259 394)	(6 207 361)	(536 746)	-	-	(204 346 518)

Kwadukuza has taken advantage of the transitional provisions of Generally Accepted Municipal Accounting Practice 17, paragraph 86.

Progress to date:

Electrical infrastructure assets; this will be verified during the S78 (Municipal Systems Act) process as well as the ringfencing exercise that needs to be done in preparation for the Regional Electricity Distributors. A service provider has been appointed and the asset verification exercise is expected to be completed by June 2009

10. PROPERTY, PLANT & EQUIPMENT (Continued)

30 June 2007

Reconciliation of Carrying Value	Properties	Infrastructure other	Vehicles	Civil Roads	Civil Stormwater	Electrical	Toolbox	Housing	RDP funds	Under Construction	Total
	R	R	R	R	R					R	R
Carrying Values at 1 July 2006	**43 282 380**	**66 384 257**	**5 133 966**	**47 997 620**	**59 121 192**	**181 623 226**	**5 316 738**	**59 086 296**	**37 440 473**	**-**	**505 386 148**
Cost	47 669 400	88 649 865	11 757 542	127 351 354	69 780 980	268 102 624	8 952 031	105 528 250	58 366 487	-	786 158 533
Accumulated depreciation	(4 387 020)	(22 265 608)	(6 623 576)	(79 353 734)	(10 659 788)	(86 479 398)	(3 635 293)	(46 441 954)	(20 926 014)	-	(280 772 385)
Correction of error	(1 781 604)	(63 791 444)	(524 072)	10 946 056	37 340 050	-	(51 924)	(51 034 296)	(37 440 473)	-	(106 337 706)
Cost	(4 585 100)	(85 177 119)	(655 090)	(16 188 568)	37 119 415	-	(1 020 783)	(97 476 250)	(58 366 487)	-	(226 349 982)
Accumulated depreciation	2 803 496	21 385 675	131 018	27 134 624	220 635	-	968 859	46 441 954	20 926 014	-	120 012 276
Restated carrying values at 1 July 2006	41 500 776	2 592 813	4 609 894	58 943 676	96 461 242	181 623 226	5 264 815	8 052 000	-	-	399 048 442
Cost	43 084 300	3 472 746	11 102 452	111 162 786	106 900 395	268 102 624	7 931 248	8 052 000	-	-	559 808 551
Accumulated depreciation	(1 583 524)	(879 933)	(6 492 558)	(52 219 110)	(10 439 153)	(86 479 398)	(2 666 434)	-	-	-	(160 760 109)
Acquisitions	-	4 672 084	12 821 410	3 770 600	220 418	21 207 267	3 364 142	-	-	-	46 055 921
Capital under construction	-	-	-	-	-	-	-	-	-	10 227 485	10 227 485
Assets written off due to storm damage	-	(162 339)	-	-	-	-	-	-	-	-	(162 339)
Cost	-	(221 372)									(221 372)
Accumulated depreciation	-	59 032									59 032
Transfer to Intangible Assets (Note 11)	-	(965 699)	-	-	-	-	(1 762 225)	-	-	-	(2 727 924)
Cost	-	(1 219 065)	-	-	-	-	(2 281 569)	-	-	-	(3 500 634)
Accumulated depreciation	-	253 366	-	-	-	-	519 344	-	-	-	772 710
Depreciation	(134 789)	(64 997)	(799 425)	(4 136 826)	(3 562 948)	(9 143 219)	(1 107 357)	(268 373)	-	-	(19 217 933)
Carrying Value of disposals	(445 634)	(574 712)	(34 000)	-	-	-	-	-	-	-	(1 054 346)
Cost	(545 000)	(807 918)	(333 801)	-	-	-	-	-	-	-	(1 686 719)
Accumulated depreciation	99 366	233 206	299 801	-	-	-	-	-	-	-	632 373
Carrying Values at 30 June 2007	**40 920 353**	**5 497 150**	**16 597 879**	**58 577 450**	**93 118 713**	**193 687 274**	**5 759 375**	**7 783 627**	**-**	**10 227 485**	**432 169 305**
Cost	42 539 300	5 896 475	23 590 061	114 933 386	107 120 813	289 309 891	9 013 821	8 052 000	-	10 227 485	610 683 232
Accumulated depreciation	(1 618 947)	(399 325)	(6 992 182)	(56 355 936)	(14 002 100)	(95 622 617)	(3 254 446)	(268 373)	-	-	(178 513 927)

Correction of prior year errors are disclosed in note 36.

	2008 R	2007 R
11. INTANGIBLE ASSETS		
Carrying Value Opening Balance	**2 418 704**	**-**
Cost	3 500 634	-
Accumulated Amortisation	(1 081 930)	-
Transfer to Property Plant & Equipment (note 10)	(2 130 265)	-
Cost	(3 095 895)	-
Accumulated Amortisation	965 630	-
Transfer from Property Plant & Equipment (note 10)	-	2 727 924
Cost	-	3 500 634
Accumulated Amortisation	-	(772 710)
Additions	101 760	-
Amortisation	(77 208)	(309 220)
Carrying Value Closing Balance	**312 991**	**2 418 704**
Cost	506 499	3 500 634
Accumulated Amortisation	(193 508)	(1 081 930)

Intangible assets disclosed relate to website costs.

12. INVESTMENT PROPERTIES		
Carrying Value Opening Balance	68 371 000	8 668 800
Loss on valuation	(7 036 000)	
Gain on valuation	-	61 352 200
Correction of error (see note 36)		(1 650 000)
Carrying Values Closing Balance	**61 335 000**	**68 371 000**
The fair value of these properties as valued by Councils valuer at 30 June amounts to	61 335 000	68 371 000
Rental income derived from these properties amount to	457 725	588 683

No amounts were expensed towards repairs and maintenace costs for income generating investment properties.

Details of investment properties are included in a register which is available for inspection at the municipal offices.

		2008 R	2007 R
13.	**INVESTMENTS**		
	Unlisted		
	Zero coupon deposits	43 879 260	38 591 770
	Local registered stock	-	940 000
	Total Unlisted	**43 879 260**	**39 531 770**
	Financial Instruments		
	Fixed deposit under curatorship	260 857	260 857
	Collateral Security fixed deposits	200 901	229 213
	Fixed deposit	10 051 934	-
	Total Cash Investments	**10 513 692**	**490 070**
	Total Investments	**54 392 952**	**40 021 840**
	Council's valuation of unlisted investments	**54 392 952**	**40 021 840**
	Average rate of return on investments	**14%**	**14%**
	The investments in curatorship have been written down to its estimated impaired value as indicated by the curator		
	The zero coupons have guaranteed maturity values and therefore no provision for impairments are required.		
	Investments pledged as security for loans advanced amount to	43 879 260	38 591 770
	Investments pledged as collateral security for loans advanced to staff amount to	200 901	229 213
	Investments pledged for reimbursement of electricity contributions amount to	10 051 934	-
	ACCOUNT DESCRIPTION - Investments (MFMA requirement)		
	Investments Bank Account *Nedbank Account - Stanger Branch* *Account Number 4627064205: Short Term Investment Account*		
	Bank statement balance at the begining of the year	44 771	44 771
	Bank statement balance at the end of the year	**-**	**44 771**
	Investments Bank Account *Nedbank Account - Stanger Branch* *Account Number 4627072052: Short Term Investment Account*		
	Bank statement balance at the begining of the year	53 766	50 335
	Bank statement balance at the end of the year	**58 528**	**53 766**
	Investments Bank Account *Nedbank Account - Stanger Branch* *Account Number 4627072654: Short Term Investment Account*		
	Bank statement balance at the begining of the year	93 820	87 829
	Bank statement balance at the end of the year	**102 128**	**93 820**
	Investments Bank Account *First National Bank Account - Stanger Branch* *Account Number 71039219855: Short Term Investment Account*		
	Bank statement balance at the begining of the year	36 856	34 452
	Bank statement balance at the end of the year	**40 245**	**36 856**
	TOTAL INVESTMENTS:	**200 901**	**229 212**

	2008 R	2007 R
14. LONG-TERM RECEIVABLES		
Electricity connection loans	102 578	212 886
Car Loans	156 077	137 483
Housing selling scheme loans	14 302 546	14 908 701
	14 561 201	15 259 070
Less provision for bad debts	(14 263 975)	(12 439 287)
Provision for housing debtors	(2 723 392)	(12 439 287)
Provision for future housing discounts	(11 540 583)	-
	297 226	2 819 783
Less: Current portion transferred to current receivables	(195 519)	(2 573 400)
Electricity connection loans	39 442	35 917
Car Loans	156 077	137 483
Housing selling scheme loans	-	2 400 000
Total Receivables	**101 707**	**246 383**

CAR LOANS

These loans were granted to members of staff who are no longer in the service of the Council and have been handed over for collection.

ELECTRICAL CONNECTION LOANS

To encourage property owners to connect to the reticulation system, low interest rate loans were made to provide the necessary financial assistance. These loans attracted interest linked to prime up to a maximum of three years. These types of loans are no longer provided.

HOUSING SELLING SCHEME LOANS

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing' s programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%

15. INVENTORIES		
Consumable stores	110 030	54 397
Mechanical spares	37 783	18 792
Electrical maintenance spares	2 323 093	2 069 823
Fuel	174 553	91 820
Housing inventory	20 305 000	10 712 918
Less impairments	(102 487)	(57 245)
Less stock adjustment	(20 316)	(20 316)
Total Inventories	**22 827 656**	**12 870 189**

Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority

	2008 R	2007 R
16. CONSUMER DEBTORS		
Rates	64 439 095	42 303 336
Electricity	21 164 246	18 024 341
Estate	108 351	70 967
Refuse	5 264 478	9 177 034
Value added taxation	3 997 992	3 279 957
Legal Fees	633 404	665 283
Encroachment and plot clearing	7 751	-
Sundry Adjustments	1 207 512	-
Total service debtors	96 822 829	73 520 917
Less provision for bad debts	(13 995 685)	(18 377 638)
Total	**82 827 144**	**55 143 279**
Rates: Ageing		
Current (0 – 30 days)	8 465 991	1 162 058
31 - 60 Days	7 694 622	2 577 700
61 - 90 Days	4 037 429	1 837 607
91 - 120 Days	3 650 741	2 172 391
Greater than 120 days	40 590 312	34 553 581
Total	**64 439 095**	**42 303 336**
Electricity: Ageing		
Current (0 – 30 days)	15 035 551	11 037 951
31 - 60 Days	799 564	1 056 254
61 - 90 Days	544 348	511 323
91 - 120 Days	269 280	404 110
Greater than 120 days	4 515 503	5 014 703
Total	**21 164 246**	**18 024 341**
Refuse: Ageing		
Current (0 – 30 days)	169 108	675 958
31 - 60 Days	331 506	349 498
61 - 90 Days	277 208	238 948
91 - 120 Days	324 588	189 519
Greater than 120 days	4 162 068	7 723 110
Total	**5 264 478**	**9 177 034**
Value Added Taxation: Ageing		
Current (0 – 30 days)	1 278 815	522 726
31 - 60 Days	259 645	193 283
61 - 90 Days	204 999	111 068
91 - 120 Days	123 128	82 894
Greater than 120 days	2 131 405	2 369 985
Total	**3 997 992**	**3 279 957**

	2008 R	2007 R
16. CONSUMER DEBTORS (Continued)		
Estate: Ageing		
Current (0 – 30 days)	6 262	2 008
31 - 60 Days	4 970	1 451
61 - 90 Days	4 638	1 451
91 - 120 Days	4 314	1 427
Greater than 120 days	88 167	64 628
Total	**108 351**	**70 967**
Legal Fees: Ageing		
Current (0 – 30 days)	60 061	16 933
31 - 60 Days	16 198	1 238
61 - 90 Days	9 737	5 094
91 - 120 Days	16 684	12 925
Greater than 120 days	530 724	629 093
Total	**633 404**	**665 283**
Encroachment and plot clearing: Ageing		
Current (0 – 30 days)	-	-
31 - 60 Days	535	-
61 - 90 Days	1 171	-
91 - 120 Days	-	-
Greater than 120 days	6 045	-
Total	**7 751**	**-**
Sundry Adjustments: Ageing		
Current (0 – 30 days)	190 744	-
31 - 60 Days	16 888	-
61 - 90 Days	34 836	-
91 - 120 Days	75 900	-
Greater than 120 days	889 144	-
Total	**1 207 512**	**-**
Reconciliation of the Bad Debt Provision		
Balance at beginning of the year	48 718 754	58 976 972
Consumer debtors	18 377 638	-
Long term receivables	12 439 287	-
Other debtors	17 901 829	-
(Release from) / Contribution to provision	(13 272 828)	(8 971 713)
Consumer debtors	(4 381 953)	-
Long term receivables	1 824 688	-
Other debtors	(10 715 564)	-
Bad debts written off against provision	-	(1 286 505)
Consumer debtors	13 995 685	18 377 638
Long term receivables	14 263 975	12 439 287
Other debtors	7 186 265	17 901 829
Balance at end of year	**35 445 926**	**48 718 754**
Bad debts written off	21 697 614	1 286 505

There are no comparative figures as the information was not available in the prior year.

		2008 R	2007 R
17.	**OTHER DEBTORS**		
	Other debtors	19 433 155	36 961 079
	Provincial Health Subsidy (see note 22)	829 371	841 676
	Coastal Care Grant (see note 22)	-	59 138
	Disaster Rough Seas (see note 22)	1 784 315	-
	Department of Housing - RDP projects	1 893 175	-
	Ilembe debtors	5 559 573	5 744 869
		29 499 589	43 606 762
	less provision for bad debts	(7 186 265)	(17 901 829)
	Total Other Debtors	**22 313 324**	**25 704 933**
18.	**CALL INVESTMENT DEPOSITS**		
	30 Day Deposits	**82 875 457**	**72 108 229**
	ACCOUNT DESCRIPTION - Investments (MFMA requirement)		
	Investments Bank Account *First National Bank Account - Stanger Branch* *Account Number 62099517743: Money Market Account*		
	Bank statement balance at the begining of the year	55 765 331	10 221 532
	Bank statement balance at the end of the year	**22 990 182**	**55 765 331**
	Investments Bank Account *First National Bank Account - Stanger Branch* *Account Number 74099518647: Call Account*		
	Bank statement balance at the begining of the year	11 167 760	10 276 063
	Bank statement balance at the end of the year	**12 412 986**	**11 167 760**
	Investments Bank Account *First National Bank Account - Stanger Branch* *Account Number 71428762280: Call Account*		
	Bank statement balance at the begining of the year	5 175 138	-
	Bank statement balance at the end of the year	**5 753 393**	**5 175 138**
	Investments Bank Account *First National Bank Account - Stanger Branch* *Account Number 71470297491: Call Account*		
	Bank statement balance at the begining of the year	-	-
	Bank statement balance at the end of the year	**20 963 117**	**-**
	Investments Bank Account *Standard Bank Account - Stanger Branch* *Account Number 05 8756442-001: Call Account*		
	Bank statement balance at the begining of the year	-	-
	Bank statement balance at the end of the year	**10 377 323**	**-**
	Investments Bank Account *ABSA Bank Account - Stanger Branch* *Account Number 2067768132: Call Account*		
	Bank statement balance at the begining of the year	-	-
	Bank statement balance at the end of the year	**10 378 456**	**-**
	TOTAL CALL ACCOUNT INVESTMENT:	**82 875 457**	**72 108 229**

	2008 R	2007 R

19. BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following main bank accounts:
ACCOUNT DESCRIPTION

Primary Bank Account
First National Bank Account - Stanger Branch
Account Number 53730256310: Cheque Account
First National Bank Account - Ballito Branch
Account Number 53730076916: Cheque Account

Cash book balance at the begining of the year	2 818 092	2 292 179
Cash book balance at the end of the year	**16 153 850**	**2 818 092**
Bank statement balance at the begining of the year	5 524 034	8 656 375
Bank statement balance at the end of the year	**19 720 237**	**5 524 034**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62020550077: Cheque Account

Cash book balance at the begining of the year	269 223	300 152
Cash book balance at the end of the year	**1 586 326**	**269 223**
Bank statement balance at the begining of the year	269 223	365 234
Bank statement balance at the end of the year	**1 586 326**	**269 223**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62015681225: Cheque Account

Cash book balance at the begining of the year	7 469 472	17 184 528
Cash book balance at the end of the year	**5 099 689**	**7 469 472**
Bank statement balance at the begining of the year	7 469 472	17 908 376
Bank statement balance at the end of the year	**5 475 125**	**7 469 472**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62031878624: Cheque Account

Cash book balance at the begining of the year	1 247 160	1 148 302
Cash book balance at the end of the year	**1 355 738**	**1 247 160**
Bank statement balance at the begining of the year	1 247 160	1 148 302
Bank statement balance at the end of the year	**1 355 738**	**1 247 160**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62031876800: Cheque Account

Cash book balance at the begining of the year	319 128	576 338
Cash book balance at the end of the year	**267 628**	**319 128**
Bank statement balance at the begining of the year	319 128	576 338
Bank statement balance at the end of the year	**267 628**	**319 128**

	2008 R	2007 R

19. BANK, CASH AND OVERDRAFT BALANCES (Continued)

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62059290454: Cheque Account

Cash book balance at the begining of the year	1 359 473	351 026
Cash book balance at the end of the year	**634 757**	**1 359 473**
Bank statement balance at the begining of the year	1 449 419	458 032
Bank statement balance at the end of the year	**634 757**	**1 449 419**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62059290561: Cheque Account

Cash book balance at the begining of the year	1 793 037	1 880 001
Cash book balance at the end of the year	**2 198 207**	**1 793 037**
Bank statement balance at the begining of the year	1 793 037	1 880 001
Bank statement balance at the end of the year	**2 198 207**	**1 793 037**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62128382132: Cheque Account

Cash book balance at the begining of the year	295 180	-
Cash book balance at the end of the year	**294 820**	**295 180**
Bank statement balance at the begining of the year	295 180	-
Bank statement balance at the end of the year	**294 820**	**295 180**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62128382322: Cheque Account

Cash book balance at the begining of the year	319 957	-
Cash book balance at the end of the year	**319 590**	**319 957**
Bank statement balance at the begining of the year	319 957	-
Bank statement balance at the end of the year	**319 590**	**319 957**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62128382570: Cheque Account

Cash book balance at the begining of the year	349 775	-
Cash book balance at the end of the year	**349 415**	**349 775**
Bank statement balance at the begining of the year	349 775	-
Bank statement balance at the end of the year	**349 415**	**349 775**

Housing Bank Account
First National Bank Account - Stanger Branch
Account Number 62128382786: Cheque Account

Cash book balance at the begining of the year	457 774	-
Cash book balance at the end of the year	**247 451**	**457 774**
Bank statement balance at the begining of the year	457 774	-
Bank statement balance at the end of the year	**247 451**	**457 774**

	2008 R	2007 R
19. BANK, CASH AND OVERDRAFT BALANCES (Continued)		
Electricity Main Bank Account		
First National Bank Account - Stanger Branch		
Account Number 62080947941: Cheque Account		
Cash book balance at the begining of the year	257 690	12 947 513
Cash book balance at the end of the year	**256 841**	**257 690**
Bank statement balance at the begining of the year	257 690	12 947 513
Bank statement balance at the end of the year	**256 841**	**257 690**
Electricity Bank Account		
First National Bank Account - Stanger Branch		
Account Number 62080949301: Cheque Account		
Cash book balance at the begining of the year	513 616	514 396
Cash book balance at the end of the year	**512 836**	**513 616**
Bank statement balance at the begining of the year	513 616	514 396
Bank statement balance at the end of the year	**512 836**	**513 616**
Gijima Bank Account		
First National Bank Account - Stanger Branch		
Account Number 62115726525: Cheque Account		
Cash book balance at the begining of the year	2	-
Cash book balance at the end of the year	**107**	**2**
Bank statement balance at the begining of the year	2	-
Bank statement balance at the end of the year	**107**	**2**
Grants Bank Account		
First National Bank Account - Stanger Branch		
Account Number 62049936323: Cheque Account		
Cash book balance at the begining of the year	4 158 678	(694 535)
Cash book balance at the end of the year	**13 489 615**	**4 158 678**
Bank statement balance at the begining of the year	4 928 775	75 562
Bank statement balance at the end of the year	**13 489 615**	**4 928 775**
Fines Bank Account		
First National Bank Account - Stanger Branch		
Account Number 62079758268: Cheque Account		
Cash book balance at the begining of the year	110 891	42 822
Cash book balance at the end of the year	**3 697**	**110 891**
Bank statement balance at the begining of the year	110 891	42 822
Bank statement balance at the end of the year	**3 697**	**110 891**
Petty cash and cash on hand	**12 325**	**12 325**
TOTAL BANK BALANCES AND CASH:	**42 782 892**	**21 751 472**

	2008 R	2007 R
20. PROPERTY RATES		
Actual		
Residential	67 455 132	65 713 521
Commercial	18 454 819	14 988 786
Residential for commercial purposes	1 757 025	
Education and State	2 413 766	1 902 776
Municipal	-	1 159 181
Agriculture	7 031 843	474 225
Private open space	-	396 732
Vacant	43 381 845	
Total Assessment Rates	**140 494 430**	**84 635 221**
Property Valuations		
Residential	19 225 204 820	1 251 596 000
Commercial	1 516 388 370	230 456 405
Residential for commercial purposes	156 180 000	
Education and State	275 859 000	29 475 600
Municipal	345 429 830	13 909 584
Agriculture	1 875 158 000	42 616 700
Private open space	-	4 933 250
Vacant	3 643 656 100	
Informal settlements	3 415 000	
Land reform	132 373 000	
Monuments	1 260 000	
PSI	18 941 000	
Worship / PBOS	98 755 000	
Total Property Valuations	**27 292 620 120**	**1 572 987 539**
Non rateable	**-**	**39 732 424**
The last general valuation came into effect on:		
KwaDukuza	02/07/2006	01/01/1996
Dolphin Coast	02/07/2006	01/07/1995
Nkwazi/Zinkwazi	02/07/2006	24/01/1999
Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2007		
Interim valuations are processed on a quarterly basis to take into account changes in individual land values due to consolidations and subdivisions		
Assessment rates: Cents in the rand on market valuation as follows:		
Residential, informal settlements, land reform and monuments	0,01000	
Residential used for commercial purposes, agricultural and worship	0,01500	
Industrial, business and commercial, vacant, public infrastructure and state owned	0,01750	
The first R50 000 of the valuation of residential properties are exempt from the calculation of rates.		
Assessment rates: Cents in the rand - General on land only		0,08042

	2008 R	2007 R
20. PROPERTY RATES (Continued)		
Rebates:		
Improved special residentail property	60%	
State property owners	50%	
Agricultural property	75%	
Residential used for commercial purposes	25%	
Industrial, business and commercial, and vacant	25%	
Land reform, worship, PBO's, PSI, monuments, informal settlements and municipal owned property	100%	
Additional rebates applicable:		
Excluded services	15%	
Pensioners	25%	
Ballito Business Park Phase 2	54.18%	
Ballito Business Park Phase 3	86.53%	
Industrial incentives including:		
Phasing in of rates from the first year of establishment	25%	
Agriculture		
In terms of Schedule (ii)(a) of Proclamation 76/1996		100%
In terms of Section 153 (5) (c) (dd) (ii) of Local Authorities Ordinance, 1974 (No. 25 of 1974)		50%
Special Residential and Sectional Title on all improved land		30%
Bed and Breakfast establishments with three and fewer bedrooms		20%
State property owners		20%
Pensioners (qualifying on developed special rates) - an additional		25%
Council owned Old Age Units - an additional		25%
General commercial which is used for special residential purposes		10%
Additional excluded services rebate applicable including:		15%
Shortens Country Style Hotel		15%
Port Zimbali - excluded services rebate on all sold erven		15%
Seaward Estates - excluded services rebate on all sold erven		15%
Princes Grant		15%
Industrial incentives including:		
Phasing in of rates from the first year of establishment		25%
Industrialists are granted incentive rebates on a phased reducing basis over five years		
All undeveloped serviced industrial sites where the industrial developer has provided the full range of Municipal services	-	-
Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004 for the 2008 financial year):		
On an annual basis, by application, and the final date of payment being:	28 Sept 2007	30 Sept 2006
On a monthly basis, and the final dates of payment being the last working day of the month from August 2007 to June 2008.		
Interest is levied on outstanding rates per annum at:	18%	18%
Plus collection charges two months after the final date of payment in respect of annual rate payers and 1 July in respect of monthly rate payers:	10%	10%
21. SERVICE CHARGES		
Sale of electricity	154 225 888	142 164 639
Refuse removal	21 165 653	19 544 995
Total Service Charges	**175 391 541**	**161 709 634**

	2008 R	2007 R
22. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share	25 954 723	22 270 659
Municipal Infrastructure Grant	16 012 595	9 564 408
Financial Management Grant	484 223	218 695
Department of Trade and Industry	4 117 404	-
Umsobomvu	108 865	191 135
Integrated Development Plan	3 915	46 085
Performance Management Systems	50 000	-
Geographical Information Systems	16 059	98 228
Land Use Management Systems	270 000	-
Department of Minerals and Energy	7 001 962	6 036 709
Municipal Systems Improvement Grant	155 790	175 637
New Library	2 744 177	2 886 422
Department of Local Government and Traditional Affairs	250 000	-
Gijima	100 000	80 010
Provincial Health Subsidies	2 856 515	3 032 369
Coastal Care Grant	390 445	309 298
Unknown adjustment	-	(54 435)
King Shaka	111 810	-
Museum	72 000	-
Department of Housing: RDP Housing	1 158 817	-
Disaster Rough Seas	4 004 495	0
Prior year adjustment (See Note 36)	-	(3 084 099)
Total Government Grant and Subsidies	**65 863 794**	**41 771 121**

22.1 Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	25,954,723	22,270,659
Conditions met – transferred to revenue	(25,954,723)	(22,270,659)
Conditions still to be met	**-**	**-**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

22.2 Municipal Infrastructure Grant

Balance unspent at beginning of year	3 845 966	5 234 526
Current year receipts	15 463 241	8 175 848
Conditions met - transferred to revenue	(16 012 595)	(9 564 408)
Conditions still to be met-transferred to liabilities (see note 8)	**3 296 612**	**3 845 966**

This grant was used for road infrastructure as part of upgrading of informal settlements. No funds were withheld.

	2008 R	2007 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.3 Financial Management Grant

Balance unspent at beginning of year	375 578	94 273
Current year receipts	500 000	500 000
Conditions met - transferred to revenue	(484 223)	(218 695)
Conditions still to be met-transferred to liabilities (see note 8)	**391 355**	**375 578**

This grant was used for implementation of MFMA, finance reforms and payment of intern's salaries. No funds were withheld.

22.4 Department of Trade and Industry

Balance unspent at beginning of year	2 659 504	-
Current year receipts	1 457 900	2 659 504
Conditions met - transferred to revenue	(4 117 404)	-
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**2 659 504**

This grant is a refund for bulk infrastructure.

22.5 Umsobomvu

Balance unspent at beginning of year	108 865	-
Current year receipts	-	300 000
Conditions met - transferred to revenue	(108 865)	(191 135)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**108 865**

This was used for the establishment of Youth Advisory Centre.
No funds were withheld.

22.6 Integrated Development Plan Grant

Balance unspent at beginning of year	3 915	50 000
Current year receipts	-	-
Conditions met - transferred to revenue	(3 915)	(46 085)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**3 915**

This grant is for the development of Intergrated development Plan.
No funds were withheld.

22.7 Performance Management Systems Grant

Balance unspent at beginning of year	50 000	50 000
Current year receipts	-	-
Conditions met - transferred to revenue	(50 000)	-
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**50 000**

This grant is for the development of perfomance management contracts.
No funds were withheld.

	2008 R	2007 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.8 Interdepartmental Monitoring Systems Grant

Balance unspent at beginning of year	40 000	40 000
Current year receipts		
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**40 000**	**40 000**

The grant was to be used for administrative capacity building.
No funds were withheld.

22.9 Geographical Information Systems Grant

Balance unspent at beginning of year	16 059	114 287
Current year receipts	-	-
Conditions met - transferred to revenue	(16 059)	(98 228)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**16 059**

Development of Geographical information Systems.
No funds were withheld.

22.10 Land Use Management Systems Grant

Balance unspent at beginning of year	392 000	280 000
Current year receipts	200 000	112 000
Conditions met - transferred to revenue	(270 000)	-
Conditions still to be met-transferred to liabilities (see note 8)	**322 000**	**392 000**

Spatial Development Framework and Land use management Systems.
No funds were withheld.

22.11 Department of Minerals and Energy Grant

Balance unspent at beginning of year	1 962	38 671
Current year receipts	7 000 000	6 000 000
Conditions met - transferred to revenue	(7 001 962)	(6 036 709)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**1 962**

This grant is used for Electrification Projects as part of Upgrading of informal settlement areas. No funds were withheld.

22.12 Municipal Systems Improvement Grant

Balance unspent at beginning of year	5 790	31 427
Current year receipts	150 000	150 000
Conditions met - transferred to revenue	(155 790)	(175 637)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**5 790**

This grant is used for Electrification Projects as part of Upgrading of informal settlement areas. No funds were withheld.

	2008 R	2007 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.13 New Library Grant

Balance unspent at beginning of year	1 707 715	-
Current year receipts	1 036 462	4 594 137
Conditions met - transferred to revenue	(2 744 177)	(2 886 422)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**1 707 715**

This grant was in construction of New KwaDukuza Library.
No funds were withheld.

22.14 Admin Capacity

Balance unspent at beginning of year	100 000	-
Current year receipts	-	100 000
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**100 000**	**100 000**

This grant is for Capacity Building.

22.15 Local Government and Traditional Affairs Grant

Balance unspent at beginning of year	-	-
Current year receipts	250 000	250 000
Conditions met - transferred to revenue	(250 000)	-
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**250 000**

This grant is for improvement in public participation.
No funds were withheld.

22.16 Local Economic Development Grant

Balance unspent at beginning of year	123 251	123 251
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**123 251**	**123 251**

This grant is used for local economic development.
No funds were withheld.

22.17 Community Development Workers Grant

Balance unspent at beginning of year	16 351	16 351
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**16 351**	**16 351**

This grant is used to pay for Community Development workers.
No funds were withheld.

	2008 R	2007 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.18 Gijima Grant

Balance unspent at beginning of year	-	-
Current year receipts	100 000	80 010
Conditions met - transferred to revenue	(100 000)	(80 010)
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**-**

This grant was used for the development of LED Strategy.
No funds were withheld.

22.19 Other Grants and Subsidies

Balance unspent at beginning of year	1 719 167	-
Current year receipts	2 000 000	1 719 167
Conditions met - transferred to revenue	-	-
Transferred to consumers	(1 719 167)	-
Adjustments (see note 22.28)	(2 000 000)	-
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**1 719 167**

Previously unidentified grants now appropriately transferred to the correct accounts.

22.20 Provincial Health Subsidies

Balance to be refunded at beginning of year	(841 676)	-
Current year receipts	2 856 515	2 190 693
Expenditure claimed in accordance with grant conditions	(2 844 210)	(3 032 369)
Grant claim outstanding -transferred to other debtors (see note 17)	**(829 371)**	**(841 676)**

The grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There are no delays or withholding of the subsidy.

22.21 Coastal Care Grant

Balance unspent at beginning of year	(59 138)	-
Current year receipts	449 583	250 160
Conditions met - transferred to revenue	(390 445)	(309 298)
Grant claim outstanding -transferred to other debtors (see note 17)	**-**	**(59 138)**

The grant is used to pay wages for people employed to clean the beaches.

22.22 Property Rates Implemenation

Balance unspent at beginning of year	-	-
Current year receipts	133 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**133 000**	**-**

This grant is for the communication of the Municipal Property Rates Act to the public. No funds were withheld.

	2008 R	2007 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.23 Development Bank of South Africa

Balance unspent at beginning of year	-	-
Current year receipts	1 229 123	-
Conditions met - transferred to revenue	-	-
Adjustments	(966 349)	
Conditions still to be met-transferred to liabilities (see note 8)	**262 774**	**-**

This grant is for capacity building.

22.24 Department of Sports and Recreation

Balance unspent at beginning of year	-	-
Current year receipts	325 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**325 000**	**-**

This grant is for the upgrading of the sports facilities: Chief Albert Luthuli Sports Field.

22.25 CBD Revitalization

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**1 000 000**	**-**

This grant is for the revitalization of the urban design framework for Kwadukuza CBD to increase growth opportunities and investor confidence.

22.26 Agricultural

Balance unspent at beginning of year	-	-
Current year receipts	4 000	-
Conditions met - transferred to revenue	-	-
Adjustments	(269)	
Conditions still to be met-transferred to liabilities (see note 8)	**3 731**	**-**

This grant is for the erection of a stall at the Garden and Leisure Show in Pietermaritzburg

22.27 King Shaka Tourism Route

Balance unspent at beginning of year	-	-
Current year receipts	450 000	-
Conditions met - transferred to revenue	(111 810)	-
Conditions still to be met-transferred to liabilities (see note 8)	**338 190**	**-**

This grant is for the construction of bus and pedestrian access to King Shaka's Cave.

	2008 R	2007 R

22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

22.28 Municipal Assistance Programme

Balance unspent at beginning of year	-	-
Current year receipts	2 000 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	**2 000 000**	**-**

This grant is for credit control and GRAP/GAMAP implementation.

22.29 Museum

Balance unspent at beginning of year	-	-
Current year receipts	72 000	-
Conditions met - transferred to revenue	(72 000)	-
Conditions still to be met-transferred to liabilities (see note 8)	**-**	**-**

This grant is for the Museum expenditure incurred.

22.30 Department of Housing: RDP Housing

Amount due by Department of Housing in respect of bridge financing of RDP project in terms of the HAC meeting 08/2005 approved by the MEC	**1 158 817**	-

22.31 Disaster Rough Seas

Balance to be refunded at beginning of year	-	-
Current year receipts	2 220 180	-
Expenditure claimed in accordance with grant conditions	(4 004 495)	-
Grant claim outstanding - transferred to other debtors (see note 17)	**(1 784 315)**	**-**

This grant is from Department of Provincial Local Government for the clean up operations on the beaches.

23 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	56 661 090	48 879 547
Contributions to UIF, Medical, Pension Benefits, WC and Levies	19 123 832	15 612 772
Travel, motor car, accommodation, subsistence and other allowances	5 030 587	4 527 209
Housing benefits and allowances	785 105	724 322
Overtime, Standby and Rations payments	8 756 321	7 006 968
Protective clothing	-	(1 190)
Leavy Pay and Leave Provisions	6 549 745	5 341 717
	96 906 680	**82 091 345**

	2008 R	2007 R

23 EMPLOYEE RELATED COSTS (Continued)

Included in the employee related costs are the following:

Remuneration of the Municipal Manager

Annual Remuneration	431 614	-
Car Allowance	207 995	-
Contributions to UIF, Medical and Pension Funds	96 616	-
Total	**736 225**	**-**

The position of Municipal Manager was vacant in 2007

Remuneration of the Chief Finance Officer

Annual Remuneration	519 748	-
Car Allowance	90 508	-
Contributions to UIF, Medical and Pension Funds	137 947	-
Total	**748 203**	**-**

The position of Chief Finance Officer was vacant in 2007

Remuneration of Executive Directors

EDP

Annual Remuneration	492 804	374 518
Car Allowance	96 078	96 398
Medical and pension funds	10 476	41 896
Total	**599 358**	**512 812**

Technical services

Annual Remuneration	392 629	309 563
Car Allowance	115 741	116 750
Medical and pension funds	117 207	95 911
Total	**625 577**	**522 224**

Corporate services

Annual Remuneration	489 450	400 850
Car Allowance	24 024	63 486
Medical and pension funds	119 284	87 327
Total	**632 758**	**551 663**

Municipal services

Annual Remuneration	599 358	368 587
Car Allowance	-	76 130
Medical and pension funds	-	77 763
Total	**522 481**	**522 481**

24. REMUNERATION OF COUNCILLORS

Mayor	452 137	503 008
Deputy Mayor	310 378	218 908
Speaker	370 597	389 027
Mayoral Committee Members	1 739 816	837 053
Councillors	4 384 258	4 823 853
Councillors' pension contribution	677 018	395 179
Total Councillors' Remuneration	**7 934 204**	**7 167 028**

In-kind Benefits

The Mayor and Speaker are full-time and have an office and secretarial support at the cost of the Council.
The Mayor has the use of a Council leased vehicle for official duties and has two permanent bodyguards.

		2008 R	2007 R
25.	**FINANCE COSTS**		
	Long-term liabilities	**12 874 285**	**10 215 218**
26.	**BULK PURCHASES**		
	Electricity	**98 765 960**	**92 342 390**
27.	**GENERAL EXPENSES**		
	Included in general expenses is the following: -		
	Departmental Charges	8 991 640	8 482 669
	Free Basic Services	4 264 542	-
	Indigent Support - Sports and Recreation Department	4 029 141	2 646 902
	Expenditure Disaster Rough Seas	4 004 495	-
	Dump Charges	2 930 407	4 842 545
	Indigent Support - Waste Management Department	2 184 051	6 001 014
	Call Out To Consumer Complaints	1 876 896	-
	Shark Control Expenditure	1 682 497	-
	Security Services	1 644 022	-
	Free Basic Services	1 513 557	-
	Life Saving Africa	1 477 704	-
	Subsidies - Selling Schemes	1 395 835	-
	Street Lighting Consumption	1 353 789	-
	L E D Provision	1 193 193	-
	Project Expenditure - RDP Housing	1 158 817	-
	Legal Costs	1 147 447	-
	Processing Of Fines	1 068 295	2 788 706
	Valuations & Valuation Rolls	999 128	3 312 902
	Audit Fee - External Audit	965 021	-
	Interest- Short Term Borrowing	961 884	-
	Bank Charges	960 237	-
	Refuse Bags/Contract	937 677	-
	Other General Expenses	25 527 257	35 060 180
		72 267 532	**63 134 917**
28.	**OTHER INCOME**		
	Included in other income is the following: -		
	Building Plan Fees	4 581 808	3 335 873
	Electricity Availability	1 405 344	1 342 780
	Sale of Electricity Street Lights	1 389 031	1 335 423
	Contribution in Lieu of Parking	984 622	-
	Sale of Redundant Stock	737 132	-
	Disconnection / Reconnection Fees	598 925	-
	Roads Master Plan	593 911	-
	Other Income	5 642 364	5 119 090
		15 933 137	**11 133 166**
29.	**FRUITLESS AND WASTEFUL EXPENDITURE**		
	Penalties incurred on late submission of VAT returns	99 788	-
	Interest raised on late payment of VAT	79 166	-
		178 954	**-**

The amounts are not recoverable and no criminal or disciplinary steps have been taken. This matter will be reported to Council for approval to be written off.

	2008 R	2007 R
30. CASH GENERATED BY OPERATIONS		
Surplus for the year	83 074 466	107 688 312
Adjustment for: -		
Ammoritsation: Intangible assets	77 208	309 220
Depreciation:Property,Plant and equipment	27 153 325	19 217 933
Previous years operating transactions	13 387 874	9 319 858
Gain on disposal of property, plant and equipment	(4 484 163)	(5 085 721)
Contribution to provisions - non-current	-	2 333 333
Contribution to provisions - current	-	1 166 667
Contribution to retirement benefit obligation	1 964 583	2 307 549
Contribution to long service award benefits	1 589 008	570 137
Release from bad debt provision	(13 272 828)	(8 971 713)
Expenditure charged against provision for leave/bad debts	-	(1 286 505)
Fair value adjustment : Investment properties	7 036 000	(61 352 200)
Income credited to reserves	-	-
Investment income	(13 992 398)	(8 571 732)
Finance costs	12 874 285	10 215 218
Operating surplus before working capital changes:	115 407 360	67 860 355
Decrease/(Increase) in inventories	(9 957 467)	19 348
Decrease/(Increase) in consumer debtors	(27 683 865)	24 042 982
Decrease/(Increase) in other debtors	3 391 609	(22 771 024)
Increase in conditional grants and receipts	(3 063 859)	5 343 337
Increase in creditors	15 013 303	8 763 225
Decrease in short term portion of long term receiveables	2 377 881	17 208 968
(Increase) in VAT receivable	(1 002 673)	(1 175 059)
Cash generated by operations	**94 482 289**	**99 292 132**

31. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balances and cash	42 782 892	21 751 472
Call investment deposits	82 875 457	72 108 229
Total cash and cash equivalents at the end of the year	**125 658 349**	**93 859 701**

The municipality has undrawn borrowing facilities of R44 534 378
(2007: R49 616 340)

32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32.1 Contributions to organised local government

Opening balance	-	(40 478)
Council subscriptions	459 795	306 476
Amount paid - current year	(459 795)	(265 998)
Amount paid - previous years		
Balance unpaid (included in creditors)	**-**	**-**

	2008 R	2007 R
32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
32.2 Audit fees		
Opening balance	(9 633)	-
Current year audit fee	2 023 529	2 161 987
Amount paid - current year	(1 953 390)	(2 171 620)
Amount paid - previous years	9 633	-
Balance unpaid (included in creditors)	**70 139**	**(9 633)**
32.3 VAT		
Vat received for the year	**11 699 943**	**(14 530 539)**
VAT paid for the year	**1 009 088**	**682 434**
VAT inputs receivables and VAT outputs receivables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.		
32.4 PAYE and UIF		
Opening balance	-	-
Current year payroll deductions	12 013 199	10 312 231
Amount paid - current year	(12 013 199)	(10 312 231)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**
32.5 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and Council	24 703 672	21 652 115
Amount paid - current year	(24 703 672)	(21 652 115)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**
32.6 Councillor's arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days as at:		
Outstanding more than 90 days		
Councillor: CM Naicker	-	1 794
Councillor: JLT Sibiya	-	459
Total Councillor Arrear Consumer Accounts	**-**	**2 253**

	2008 R	2007 R

33. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:		
- Approved and contracted for:	10 102 219	8 141 923
Infrastructure	10 102 219	8 141 923
Community	-	-
- Approved but not yet contracted for:	290 855 167	114 730 298
Infrastructure	73 872 287	53 609 947
Community	216 982 880	61 120 351
Total	**300 957 386**	**122 872 221**
This expenditure will be financed as follows:		
Grant funded	230 586 053	59 612 569
Council funded	42 188 780	29 612 309
External Loans	28 182 553	33 647 343
	300 957 386	**122 872 221**

34. CONTINGENT LIABILITIES

A claim made by Ezio Gori which is currently being defended by the municipality. Mr Gori is suing the municipality for breach of contract for terminating his contract as project manager for various housing projects.	1 340 780	1 400 000
A claim made by J T Mthembu against the municipality which is currently being defended. The widow of late Municipal manager is suing the municipality for not providing security to the late Nathi Mthembu which led to his ultimate death. The attorneys have deemed the claim to be null & void in 2008.	-	2 500 000
Iliso Consulting is suing the municipality for breach of contract and for professional fees for the Groutville Priority one housing project. They claim that they were appointed by Prop 5 Consultants who were project managers for Council. Council did not mandate Prop 5 to appoint these consultants.	233 510	233 510
Two staff disputes in progress.	507 729	353 251
	2 082 019	4 486 760

		2008 R	2007 R
35.	**CONTINGENT ASSETS**		
	Eagle Take Away failed to pay Kwadukuza Municipality an amount of R1266451 for proceeds from sale of prepaid electricity cards.	1 345 000	160 000
	Debtor sued for rates & service charges. As there is no basis to claim for legal fees and electricity charges, the amount claimed was reduced from R23 000 to R13 000.	23 000	23 000
	Two debtors being sued for outstanding service charges (2007: one debtor).	44 500	34 000
	Claim by Kwadukuza Municipality against three debtors (2007: five debtors).	208 211	221 319
	Recovery of monies from staff from the previous Nkwazi TLC that were overpaid by the municipality due to an illegal decision taken by the said municipality to upgrade the salaries of the staff.	925 790	925 790
	Alledged misappropriation of funds by two former employees.	40 730	-
	Claim against Superb Cash & Carry for fire and emergency services rendered.	651 502	-
	Two cases of theft of money by cashier. Case opened with SAPS and attempts are being made to recover the monies. Legal costs were reduced from the prior year assessment of this amount.	139 218	166 394
		3 377 951	1 530 502
36.	**CORRECTION OF ERROR**		
	The comparatives for 2006/07 have been restated in respect of the following errors:		
	36.1 Errors arising in the accounting for fixed assets.		
	Fixed assets at cost or carrying value as previously reported		837 466 314
	The unbundling and componentisation of assets as part of the implementation of GAMAP 17 resulted in the identification of duplications of assets in the assets register, assets being physically identified but not reflected in the ledger and vice versa.		(226 349 982)
	Assets written off during 2006/2007 as a result of storm damage		(221 372)
	Vehicles disposed of in 2006/2007 not previously accounted for		(211 728)
	Restated Balance at 30 June 2007 - Note 10		**610 683 232**

	2008 R	2007 R
36. CORRECTION OF ERROR (Continued)		
Accumulated depreciation previously reported		(304 672 666)
The unbundling and componentisation of assets as part of the implementation of GAMAP 17 resulted in the identification of duplications of assets in the assets register, assets being physically identified but not reflected in the ledger and vice versa.		120 012 276
Assets written off during 2006/2007 as a result of storm damage		59 032
Vehicles disposed of in 2006/2007 not previously accounted for		177 728
Restatement of depreciation for the year		5 909 703
Depreciation for the year as previously reported		(25 127 636)
Depreciation for the year as restated		(19 217 933)
Restated balance at 30 June 2007 - Note 10		**(178 513 927)**
36.2 Error in accounting for investment properties		
Investment properties previously reported		70 021 000
The unbundling and componentisation of assets as part of the implementation of GAMAP 17 resulted in the identification of duplications of assets in the assets register, assets being physically identified but not reflected in the ledger and vice versa.		(1 650 000)
Restated balance at 30 June 2007 - Note 12		**68 371 000**
36.3 Errors in accounting for housing activities		
Housing Operating Account as previously reported		(96 182 078)
The unbundling and componentisation of assets as part of the implementation of GAMAP 17 resulted in the identification of duplications of assets in the assets register, assets being physically identified but not reflected in the ledger and vice versa.		51 034 296
Restatement of deficit on housing services due to restatement of depreciation for the year		(2 137 643)
Deficit on housing services as previously reported		4 790 223
Deficit on housing services as restated		2 652 580
Assets adjustments		(10 634 625)
Protea Park Debtors not previously accounted for		(1 042 543)
Write off of inventory		10 712 918
Correction of inventory		(20 305 000)
Project expenditures allocated directly to HOA		1 514 019
Re-allocation of project expenditures		(1 698 069)
Creation of agency accounts for RDP Housing projects		10 767 295
		(47 336 806)

	2008 R	2007 R
36. CORRECTION OF ERROR (Continued)		
36.4 Errors in accounting for grant expenditure		
Other Debtors as previously reported		28 789 032
Grant Expenditure		(3 084 099)
Other Debtors as restated		**25 704 933**
Surplus for the year as previously reported		**(104 862 708)**
Adjustments made for:		
Depreciation		(5 909 703)
Grant expenditure		3 084 099
Surplus for the year as restated		**(107 688 311)**

37. EVENTS AFTER THE REPORTING DATE

37.1 PRIMARY HEALTH CARE FUNCTION

The Primary Health Care function that is being performed on behalf of the Provincial Health Department is to be reabsorbed by the Provincial Health Department. The effective date of this transfer was 01 January 2008, however at 30 June 2008 the process of transferring this function was not complete. All staff, assets and liabilities associated with this function have not yet been transferred to the Provincial Health Department on that date.

The subsidy received from the Provincial Health Department for the rendering of this service on behalf of the Department does not fully cover the operational costs associated with this service, and this service is therefore reliant on subsidisation by the income raised from rate and tariff billing.

For future financial years, Council will not be required to contribute towards this service and it is anticipated that this will result in slightly lower than normal annual increases in rates and tariff charges.

37.2 REGIONAL ELECTRICITY DISTRIBUTORS

In line with the National restructuring initiatives relating to the electricity industry, KwaDukuza Municipality has tacitly indicated willingness to participate in RED 5. It is envisaged that a Public Entity will be formed and all assets and liabilities relating to the provision of this service will be transferred to the said Public Entity. Due to the uncertainty surrounding this entire issue, the financial implications relating to this matter cannot, at this stage, be determined with any degree of accuracy. EDI Holdings has appointed a service provider in order to undertake the Municipal Systems Act S78 processes as well as the ringfencing of the electricity business. The financial implications of this restructuring will only be made fully available at the conclusion of this task.

38 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure's E(1) and E(2).

	2008 R	2007 R
39. RELATED PARTIES		
39.1 COUNCILLOR: A G HORTON		
Expenditure:		
General Expenses for the year	96 308	167 886
Nature of transaction: Mr Horton is employed by the Council Attorney's.		
Balance outstanding at year end:	9 789	Nil
39.2 COUNCILLOR: R SINGH		
Expenditure:		
General Expenses for the year	3 271 130	2 770 007
Nature of transaction: The Council has entered into a contract for grass cutting with a relative of the Councillor.		
Balance outstanding at year end:	Nil	Nil
39.3 STAFF MEMBER: S KUBER		
Expenditure:		
General Expenses for the year	42 737	10 743
Nature of transaction: The Council has entered into a contract for printing and stationery supply with the staff member.		
Balance outstanding at year end:	Nil	Nil
39.4 STAFF MEMBER: G GIBBON		
Expenditure:		
General Expenses for the year	26 400	26 400
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	Nil
39.5 STAFF MEMBER: J N HALL		
Expenditure:		
General Expenses for the year	30 000	30 000
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	Nil
39.6 STAFF MEMBER: A ARCHARY		
Expenditure:		
General Expenses for the year	2 500	30 000
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	Nil

	2008 R	2007 R
39. RELATED PARTIES (Continued)		
39.7 STAFF MEMBER: N G S BIYELA		
Expenditure:		
General Expenses for the year	41 400	41 400
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	Nil
39.8 STAFF MEMBER: C BUNDY		
Expenditure:		
General Expenses for the year	1 701 263	510 519
Nature of transaction: The Council has entered into a contract for the implementation of LED projects.		
Balance outstanding at year end:	Nil	Nil
Total value of related parties	**5 211 738**	**3 586 955**
40. OPERATING LEASES		
The future minimum lease payments payable under operating leases for the actual liability are as follows:		
No later than 1 year	381 838	307 623
Later than 1 year and no later than 5 years	1 063 490	498 478
Later than 5 years	-	-
	1 445 328	**806 101**
The future minimum lease payments receivable under operating leases for the actual receivables are as follows:		
No later than 1 year	1 189 386	1 181 499
Later than 1 year and no later than 5 years	4 757 544	4 725 994
Later than 5 years	14 687 048	15 214 081
	20 633 978	**21 121 574**
Operating lease payments payable relate to the hiring of office equipment, cleaning agents and water dispensers.		
Operating lease payments receivable relate to rentals for the car park, caravan park, advertising space and housing.		
41. UTILISATION OF LONG-TERM LIABILITES RECONCILIATION		
Long-term liabilities - facilities granted	148 249 696	150 042 321
Used to finance property, plant and equipment - at cost	103 715 318	100 425 981
Undrawn facilities	44 534 378	49 616 340
DBSA R43 million loan	17 821 351	19 754 747
Inca vehicle loan R42 million	26 713 026	29 861 593
	44 534 377	49 616 340
Cash invested for repayment of long-term liabilities	43 879 260	38 591 770

KWADUKUZA MUNICIPALITY
APPENDIX A: SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2008

DESCRIPTION	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/07	Received during the year	Redeemed / (Interest Capitalised) during this period	Balance at 30/06/08
		%		R	R	R	R
Stock Loans							
FBC Fidelity	05/7492000448	14.30%	07/2010	19 000 000	-	-	19 000 000
ABSA	4056847537	17.00%	31/12/2015	15 000 000	-	-	15 000 000
INCA/First Norm	STAN 000001	16.90%	30/06/2011	2 006 000	-	-	2 006 000
uMlalazi Municipality	613	9.00%	31/07/2010	40 000	-	40 000	-
uMlalazi Municipality	614	10.00%	30/11/2010	400 000	-	400 000	-
uMlalazi Municipality	616	10.00%	30/04/2010	500 000	-	500 000	-
Total Stock Loans				**36 946 000**	**-**	**940 000**	**36 006 000**
Non Annuity Loans							
INCA	KWAD000001	16.00%	30/06/2011	19 000 000	-	-	19 000 000
INCA	KWAD000002	11.63%	30/06/2012	11 333 981	-	1 765 989	9 567 992
INCA	KWAD000003	11.63%	30/06/2012	804 426	-	125 278	679 148
INCA	KWAD000004	11.63%	30/06/2012	-	6 000 000	960 166	5 039 834
Standard Bank	295606	Prime -1%	30/11/2007	500 000	-	500 000	-
DBSA	101276	Base rate+2.7%	30/09/2025	23 676 293	1 933 397	-	25 609 689
Total Non Annuity Loans				**55 314 700**	**7 933 397**	**3 351 433**	**59 896 663**
Annuity Loans							
DBSA	10580/204	12.00%	30/09/2017	466 808	-	(19 638)	486 446
DBSA	11165/102	15.75%	30/09/2017	6 073 069	-	251 653	5 821 416
DBSA	13527/103	16.50%	30/09/2014	604 514	-	45 214	559 300
DBSA	11577/102	18.00%	30/12/2014	9 425	-	878	8 547
DBSA	9879/102	12.00%	30/06/2016	841 575	-	(95 371)	936 946
Umgeni Water	15424k	16.00%	02/2008	169 890	-	169 890	-
Total Annuity Loans				**8 165 281**	**-**	**352 626**	**7 812 655**
TOTAL EXTERNAL LOANS (KWADUKUZA MUNICIPALITY)				**100 425 981**	**7 933 397**	**4 644 059**	**103 715 318**

KWADUKUZA MUNICIPALITY
APPENDIX B : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2008

	Cost / Revaluation						Accumulated Depreciation					
	Opening Balance R	Additions R	Under Construction R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Carrying Value R
Properties	42 539 300	3 681 156	-	(969 000)	2 886 422	48 137 879	1 618 947	130 370	(57 995)	-	1 691 322	46 446 557
Infrastructure	5 896 475	6 357 418	-	-	-	12 253 893	399 325	5 196 954	-	-	5 596 279	6 657 614
Vehicles	23 590 061	13 741 170	-	(2 228 369)	-	35 102 862	6 992 182	2 181 639	(2 228 369)	-	6 945 452	28 157 410
Civil Roads	114 933 386	6 858 008	-	-	6 805 083	128 596 477	56 355 936	4 177 351	-	-	60 533 287	68 063 190
Civil Storm water	107 120 813	972 069	-	-	-	108 092 882	14 002 100	3 574 576	-	-	17 576 677	90 516 205
Electrical	289 309 891	2 674 142	-	-	-	291 984 033	95 622 617	9 636 777	-	-	105 259 394	186 724 639
Toolbox	9 013 821	3 755 887	-	-	3 130 104	15 899 813	3 254 446	1 987 285	-	965 630	6 207 361	9 692 452
Housing	8 052 000	-	-	-	-	8 052 000	268 373	268 373	-	-	536 746	7 515 254
RDP Funds	-	-	-	-	-	-	-	-	-	-	-	-
Assets under Contruction	10 227 485	-	27 292 294	-	(9 725 714)	27 794 065	-	-	-	-	-	27 794 065
	610 683 232	38 039 851	27 292 294	(3 197 369)	3 095 895	675 913 904	178 513 927	27 153 325	(2 286 364)	965 630	204 346 518	471 567 386

KWADUKUZA MUNICIPALITY
APPENDIX C : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2008

	Cost / Revaluation						Accumulated Depreciation					
	Opening Balance R	Additions R	Under Construction R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Carrying Value R
Executive & Council	18 989 276	53 225	-	(1 005 218)	-	18 037 283	1 302 793	330 208	(94 213)	-	1 538 788	16 498 495
Planning & Development	6 822 380	1 578 019	-	(55 450)	-	8 344 949	302 498	518 260	(55 450)	-	765 308	7 579 641
Road Transport	225 765 836	-	16 785 827	(365 141)	-	242 186 522	71 331 452	8 014 819	(365 141)	-	78 981 130	163 205 392
Electrical	279 764 092	7 522 908	10 506 467	(523 036)	-	297 270 431	96 154 744	10 272 825	(523 036)	-	105 904 533	191 365 898
Housing	8 455 568	84 541	-	-	-	8 540 109	390 234	321 204	-	-	711 438	7 828 671
Other	70 886 080	28 801 158	-	(1 248 524)	3 095 895	101 534 610	9 032 206	7 696 009	(1 248 524)	965 630	16 445 321	85 089 289
	610 683 232	38 039 851	27 292 294	(3 197 369)	3 095 895	675 913 904	178 513 927	27 153 325	(2 286 364)	965 630	204 346 518	471 567 386

Due to the correction of prior year errors in note 36, the opening balances have been restated to fully comply with the disclosure requirements.

KWADUKUZA MUNICIPALITY
APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual Revenue R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R		2008 Actual Revenue R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R
(95 810 151)	8,606,554	83 336 480	Executive and Council	(49 934 990)	(356 143)	50 291 133
(99 885 010)	30,921,305	71 375 721	Finance and Administration	(169 948 881)	57 230 449	112 718 432
(4 334 176)	10,188,178	(5 876 710)	Planning and Development	(6 286 438)	12 700 358	(6 413 920)
(2 995 166)	8,279,138	(5 271 017)	Health	(2 836 474)	8 082 330	(5 245 856)
(4 664 473)	13,028,243	(8 497 995)	Community and Social Services	(5 282 770)	14 440 735	(9 157 965)
(46 950)	2,605,631	(4 696 324)	Housing	(1 933 046)	17 830 145	(15 897 099)
(6 215 066)	25,409,749	(19 177 381)	Public Safety	(3 429 231)	29 307 659	(25 878 428)
(672 356)	24,249,002	(23 572 919)	Sports and Recreation	(4 621 057)	29 668 813	(25 047 756)
(23 865 055)	22,385,173	1 479 882	Waste Management	(22 588 842)	29 547 676	(6 958 834)
(277 142)	20,579,590	(19 265 926)	Road Transport	(984 777)	21 565 327	(20 580 550)
(154 664 718)	142,019,141	12 499 143	Electricity	(169 366 166)	160 875 291	8 490 875
(393 430 263)	**308 271 705**	**85 158 558**	**Sub Total**	**(437 212 672)**	**380 892 640**	**56 320 032**
-	(22 529 754)	22 529 754	Less: Inter-Departmental	-	(26 754 434)	26 754 434
(393 430 263)	**285 741 951**	**107 688 312**	**Total**	**(437 212 672)**	**354 138 206**	**83 074 466**

KWADUKUZA MUNICIPALITY
APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	Actual 2008	Budget 2008	Variance 2008	Variance 2008	Explanation of significant Variance greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property rates	(140 494 430)	(138 900 106)	(1 594 324)	1.15%	
Property rates- penalties imposed and collection charges	(10 447 355)	(5 800 000)	(4 647 355)	80.13%	Implementation of the Municipal Property Rates Act resulted in a number of objections and the halting of payments until objections were resolved.
Service charges	(175 391 541)	(171 684 110)	(3 707 431)	2.16%	
Rental of facilities and equipment	(972 023)	(527 580)	(444 443)	84.24%	Reallocation of rental from the housing operating account.
Interest earned- external investments	(13 992 398)	(10 700 000)	(3 292 398)	30.77%	New investments were made during the year.
interest earned- outstanding debtors	(1 875 246)	(2 776 000)	900 754	-32.45%	The induplum interest - interest could not exceed the principal debt. Bad debts were written off in 2008.
Fines	(3 135 979)	(3 613 500)	477 521	-13.21%	Speed control cameras are not fully operational.
Licences and permits	(4 622 606)	(4 328 500)	(294 106)	6.79%	
Government grants and subsidies	(65 863 794)	(38 660 000)	(27 203 794)	70.37%	All conditions have been met, thus amounts transferred to revenue, including capital grants.
Other income	(15 933 137)	(12 634 840)	(3 298 297)	26.10%	Includes sale of redundant stock, transfer of roads master plan revenue and general income as per the tariff of charges.
Gain on disposal of property, plant and equipment	(4 484 163)	-	(4 484 163)	-100.00%	The nature of the item is such that it cannot be budgeted for.
Total Revenue	**(437 212 672)**	**(389 624 636)**	**(47 588 036)**	**12.21%**	
EXPENDITURE					
Executive & Council	(356 143)	19 560 810	(19 916 953)	-101.82%	Adjustments to the provison for bad debts and revaluation of investment properties that were not budgeted for.
Finance & Admin	57 230 449	63 036 165	(5 805 716)	-9.21%	
Planning & Development	12 700 358	14 958 040	(2 257 682)	-15.09%	A combination of staff leaving and vacancies not filled in a timely manner.
Health	8 082 330	10 722 330	(2 640 000)	-24.62%	Staff vacancies budgeted for but not filled in a timely manner.
Community & Social Services	14 440 735	18 052 632	(3 611 897)	-20.01%	Staff vacancies not filled. The licencing office budgeted for was not built.
Housing	17 830 145	6 035 670	11 794 475	195.41%	The provision for the future housing discounts was not budgeted for.
Public Safety	29 307 659	33 168 460	(3 860 801)	-11.64%	Staff vacancies not filled, thereby affecting the operations, hence the under expenditure.
Sport & Recreation	29 668 813	24 641 832	5 026 981	20.40%	Expenditure incurred for the rehabiliation of beaches due to storm damage.
Waste Management	29 547 676	25 300 074	4 247 602	16.79%	Contribution to the provision for the rehabilitation of the landfill site.
Road Transport	21 565 327	21 698 200	(132 873)	-0.61%	
Electricity	160 875 291	163 021 979	(2 146 688)	-1.32%	
Inter- departmental charges	(26 754 434)	(24 792 740)	(1 961 694)	7.91%	
Total Expenditure	**354 138 206**	**375 403 452**	**(21 265 246)**	**-5.66%**	
NET SURPLUS/ (DEFICIT) FOR THE YEAR	**(83 074 466)**	**(14 221 184)**	**(68 853 282)**	**484.16%**	

KWADUKUZA MUNICIPALITY
APPENDIX E (2): ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual R	2008 Under Construction R	2008 Total Additions R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Executive & Council	53 225	-	53 225	72 738	19 513	27%	Municipal Managers boardroom table and chairs budgeted for but not bought.
Finance & Admin	1 454 966	-	1 454 966	900 502	(554 464)	-62%	We had to urgently buy furniture for the Mayor's Office that was not budgeted for.
Planning & Development	1 578 019	-	1 578 019	3 790 017	2 211 998	58%	CBD revatalisation project budgeted for and did not take off and was rolled over to 2008/09.
Health	239 886	-	239 886	270 042	30 156	11%	Furniture required urgently but not budgeted for.
Community & Social Services	6 834 617	-	6 834 617	6 907 694	73 077	1%	
Housing	84 541	-	84 541	-	(84 541)	-100%	Vehicle budgeted for under planning but allocated to housing.
Public Safety	5 813 404	-	5 813 404	8 202 369	2 388 965	29%	Equipment for fire tenders budgeted for but not bought.
Road & Storm water Drainage	9 560 045	16 785 827	26 345 872	26 014 498	(331 374)	-1%	
Electricity	7 522 908	10 506 467	18 029 375	29 706 073	11 676 698	39%	Delays in obtaining the servitudes for the bulk upgrade projects and delays in the tender process.
	33 141 611	27 292 294	60 433 905	75 863 933	15 430 028	20%	

KWADUKUZA MUNICIPALITY
APPENDIX F : GRANTS AND SUBSIDIES RECEIVED - 2007/2008

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2006/2007 financial statements	Adjustments and Transfers	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2006/2007 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	reason for non-compliance
				July to Sept 1	Oct to Dec 2	Jan to Mar 3	April to June 4		July to Sept 1	Oct to Dec 2	Jan to Mar 3	April to June 4						
Equitable Share	National Treasury	-	-	8 651 574	6 488 681	10 814 468	-	25 954 723	8 651 574	6 488 681	10 814 468	-	25 954 723	-	NO	N/A	YES	N/A
MIG	DPLG	3 845 966	-	2 566 266	1 865 664	6 448 311	4 583 000	15 463 241	36 529	5 010 064	8 290 333	2 675 668	16 012 595	3 296 612	NO	N/A	YES	N/A
Coastal Care Grant	KZN Wildlife	(59 139)	-	59 139	91 275	100 115	199 055	449 584	-	91 275	100 115	199 055	390 445	-	NO	N/A	YES	N/A
Provincial Health Subsidies	Provincial Health	(841 676)	-	841 676	658 646	769 859	598 639	2 868 820	-	658 646	769 859	1 428 010	2 856 515	(829 371)	NO	N/A	YES	N/A
DME	Dept Minerals & Energy	1 962	-	839 000	4 179 000	1 982 000	-	7 000 000	-	-	2 530 493	4 471 469	7 001 962	-	NO	N/A	YES	N/A
FMG	National Treasury	375 578	-	500 000	-	-	-	500 000	114 153	114 650	109 247	146 173	484 223	391 355	NO	N/A	YES	N/A
Umsobomvu	Umsobomvu	108 865	-	-	-	-	-	-	-	-	-	108 865	108 865	-	NO	N/A	YES	N/A
GIS	LGTA	16 059	-	-	-	-	-	-	-	-	-	16 059	16 059	-	NO	N/A	YES	N/A
LUMS	LGTA	392 000	-	200 000	-	-	-	200 000	90 000	90 000	90 000	-	270 000	322 000	NO	N/A	YES	N/A
Admin Capacity	LGTA	100 000	-	-	-	-	-	-	-	-	-	-	-	100 000	NO	N/A	YES	N/A
New Library	Provincial Libraries	1 707 714	-	-	474 239	540 128	22 096	1 036 463	1 169 663	444 678	521 098	608 738	2 744 177	-	NO	N/A	YES	N/A
IDP	LGTA	3 915	-	-	-	-	-	-	-	-	-	3 915	3 915	-	NO	N/A	YES	N/A
PMS	LGTA	50 000	-	-	-	-	-	-	-	-	-	50 000	50 000	-	NO	N/A	YES	N/A
IMG	LGTA	40 000	-	-	-	-	-	-	-	-	-	-	-	40 000	NO	N/A	YES	N/A
Community Development Worker	LGTA	16 351	-	-	-	-	-	-	-	-	-	-	-	16 351	NO	N/A	YES	N/A
MSIG	LGTA	5 790	-	150 000	-	-	-	150 000	-	-	-	155 790	155 790	-	NO	N/A	YES	N/A
LGTA	LGTA	250 000	-	-	-	-	-	-	-	-	-	250 000	250 000	-	NO	N/A	YES	N/A
DTI	Dept Trade and Industry	2 659 504	-	-	1 457 900	-	-	1 457 900	-	-	-	4 117 404	4 117 404	-	NO	N/A	YES	N/A
GIJIMA	Dept Economic Development	-	-	-	100 000	-	-	100 000	-	-	100 000	-	100 000	-	NO	N/A	YES	N/A
Unidentified	Department Of Works	1 719 167	(1 719 167)	-	-	-	-	-	-	-	-	-	-	-	NO	N/A	YES	N/A
LED GRANT	LGTA	123 251	-	-	-	-	-	-	-	-	-	-	-	123 251	NO	N/A	YES	N/A
MUSEUM	Office Of the Premier	-	-	-	-	72 000	-	72 000	-	-	-	72 000	72 000	-	NO	N/A	YES	N/A
DBSA	Development Bank of South Africa	-	(966 349)	-	1 229 123	-	-	1 229 123	-	-	-	-	-	262 774	NO	N/A	YES	N/A
Property Rates Implementation	Ilembe District Municipality	-	-	-	133 000	-	-	133 000	-	-	-	-	-	133 000	NO	N/A	YES	N/A
DPT SPORT	Department of Sports & recreation	-	-	-	325 000	-	-	325 000	-	-	-	-	-	325 000	NO	N/A	YES	N/A
CBD REVITALIZATION	DPLG	-	-	-	-	1 000 000	-	1 000 000	-	-	-	-	-	1 000 000	NO	N/A	YES	N/A
AGRICULTURAL	Provincial Dept. of Agriculture	-	(269)	4 000	-	-	-	4 000	-	-	-	-	-	3 731	NO	N/A	YES	N/A
KING SHAKA	Ilembe District Municipality	-	-	-	-	-	450 000	450 000	-	-	-	111 810	111 810	338 190	NO	N/A	YES	N/A
MAP	DPLG	-	-	-	-	-	2 000 000	2 000 000	-	-	-		-	2 000 000	NO	N/A	YES	N/A
Disaster rough seas	LGTA	-	-	-	-	-	2 220 180	2 220 180	-	-	-	4 004 495	4 004 495	(1 784 315)	NO	N/A	YES	N/A
RDP HOUSING	Department Of Housing	-	-	-	-	-	-	-	-	-	-	1 158 817	1 158 817	(1 158 817)	NO	N/A	YES	N/A
		10 515 307	**(1 719 167)**	**13 811 655**	**17 002 528**	**21 726 880**	**10 072 970**	**62 614 033**	**10 061 920**	**12 897 994**	**23 325 613**	**19 578 268**	**65 863 794**	**4 579 761**				
								62 614 033					**65 863 794**					

Reflected as other debtors - Note 17	**900 815**	Reflected as other debtors - claims submitted awaiting settlement - Note 17	**3 772 503**
Unspent grants at 30 June 2007 - Note 8	**11 416 122**	Unspent grants at 30 June 2008 - Note 8	**8 352 264**

1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarised as follows:

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GAMAP 4	Effects of changes in foreign exchange rates
GAMAP 9	Revenue
GAMAP 7	Accounting for investments in associates
GAMAP 8	Financial reporting of interests in joint ventures
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and or GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted are disclosed below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING OPERATING ACCOUNT

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Operating Account. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost or fair value less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises purchase price, import duties, non-refundable purchase taxes and directly attributable costs of bringing the asset to working condition for its intended use, such as site preparation, initial delivery, handling, installation and professional fees. Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Items of property, plant and equipment which are acquired for no cost or for a nominal cost are recognised at their fair values.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The cost or fair value of property, plant and equipment is depreciated using the straight line method over the period of the estimated useful lives of the assets. Depreciation on new acquisitions is charged to the Statement of Financial Performance in the financial year that economic benefits accrue to Council.

The annual depreciation rates are based on the following estimated asset lives:-

DETAILS	YEARS	DETAILS	YEARS
Infrastructure		***Other***	
Roads and paving	30	Buildings	30
Pedestrian malls	30	Specialist vehicles	10
Electricity	20 – 30	Other vehicles	5
Housing	30	Office equipment	3
		Furniture and fittings	7 – 10
Community		Watercraft	15
Buildings	30	Bins and containers	5
Recreational facilities	20 – 30	Specialised plant and equipment	10 – 15
Security	5	Other items of plant and equipment	2 – 5
		Landfill sites	15

The estimated useful lives and residual values of property, plant and equipment are periodically reviewed and adjusted where necessary.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

In terms of GAMAP 17 the Council has used the transitional provisions to recognise items of property, plant and equipment, which were not previously recognised, at their fair values.

KwaDukuza Municipality has taken advantage of the exemptions permitted by the Minister of Finance, in terms of General Notice 552 of 2007, and confirmed by National Treasury on 15 August 2007 with respect to property plant and equipment as follows:

- GAMAP 17 paragraphs 59-61 and 77 - the review of useful lives of property, plant and equipment recognised in the Statement of Financial Position.
- GAMAP 17 paragraphs 62 and 77 – the review of the depreciation method applied to property, plant and equipment recognised in the Statement of Financial Position.
- GAMAP 17 paragraphs 64-69 and 75(e)(v)-(vi) – Impairment of non-cash generating assets recognised in the Statement of Financial Position.
- GAMAP 17 paragraphs 63 and 75 (e)(v)-(vi) - – Impairment of cash generating assets recognised in the Statement of Financial Position.
- AC 128 (IAS 36) – Impairment of assets

6. INVESTMENT PROPERTIES

Investment properties, which are properties held to earn rental revenue or for capital appreciation, are stated at fair value less accumulated depreciation and accumulated impairment losses. Depreciation is determined on the cost of each building using the straight-line method over the period of the estimated useful life of the property which is 50 years.

7. INVESTMENTS

7.1 Financial instruments

Financial instruments, which include unlisted, reciprocal municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks are stated in the annual financial statements at the lower of cost or fair value. No impairments are required as the cost values equate to their cash values.

Where investments have been impaired, the carrying values are adjusted by the impairment losses, which are recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net proceeds on disposal and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2 Zero coupon investments

Zero coupon investments are stated in the annual financial statements at original cost plus accrued earnings thereon. At the date of the financial year end of the Municipality, certificates of balance are obtained from the respective financial institutions. The difference between the balances at the date of the balance sheet and the previous financial year end represent the

earnings for the accounting period and are credited to the Statement of Financial Performance. No impairments are required as the investments have guarantees in loan agreements with loan creditors that they will liquidate the long term loans against which they are ceded when the loans and investments mature.

8. INVENTORIES

Inventories comprising consumable stores, raw materials, and finished goods are valued at the lower of average cost, determined on the first in first out method, and net realisable value.

Unsold properties are stated in the annual financial statements at the lower of cost, determined on the average cost method, and net realisable value. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

9. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end excluding rates, rates penalties and rates collection charges.

Bad debts are written off during the year in which they are identified.

Amounts that are receivable within 12 months from the reporting date are classified as current.

10. ACCOUNTS PAYABLE

Accounts payable are stated in the annual financial statements at the amounts due to trade and other creditors for goods or services received. The liabilities are generally settled within a period of 30 Days, accordingly impairments, if any, are considered to be immaterial.

11. REVENUE RECOGNITION

11.1 Revenue from Exchange Transactions

Service charges relating to electricity are based on consumption by consumers as is recorded on each consumer's meter. Meters are read each month and revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods when meter readings have not been able to be made. The revenue from provisional estimates of consumption is recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised in the period in which cash is received.

Service charges relating to refuse removal are raised and recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest and rentals are recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered and the fee has been charged or licences and permits have been issued.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised

11.2 Revenue from non-exchange transactions

Revenue from assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from the collection of spot fines and summonses is recognised when payment is received.

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11.3 Exemption

KwaDukuza Municipality has taken advantage of the exemption permitted by the Minister of Finance, in terms of General Notice 552 of 2007, and confirmed by National Treasury on 15 August 2007 with respect to GAMAP 9 paragraph 12 and SAICA Circular 09/06 – initial measurement of fair value discounting all future receipts using an imputed rate of interest.

12. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.

13. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

14. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearer's Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the three defined benefit funds it administers.

Contributions are recognised as an expense in the Statement of Financial Performance in the year that they become payable.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the Statement of Financial Performance in the year that they become payable.

19. BORROWING COSTS

Borrowing costs are recognised in the Statement of Financial Performance in the year in which they become payable.

20. DEPOSITS

Deposits received from consumers are based on the estimated monthly consumption and are calculated to cover approximately two and one half to four months consumption, taking into consideration each consumer's profile. In the event of a disconnection of service for non payment, the value of the deposit is reviewed and adjusted in terms of the Council's credit control policy. No interest is paid on deposits held.

21. OPERATING LEASES

Payments made under operating lease agreements are expensed and charged to the Statement of Financial Performance on a straight line basis over the period of the lease. These agreements do not transfer risk and rewards associated with ownership of an asset to the Municipality.

Assets leased out under operating leases are included in property, plant and equipment and investment property in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment and investment properties. Rental revenue is recognised on a straight line basis over the lease term.

22. INTANGIBLE ASSETS

Computer software and websites

Cost associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique products controlled by the Municipality, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives, not exceeding a period of seven (7) years.

23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include investments, consumer and other receivables, cash and cash equivalents, trade and other payables, interest bearing borrowings, long term debtors. Financial instruments are initially measured at cost. The subsequent measurement of financial instruments is dealt with below:

23.1 Investments

Investments are recognised as set out in policy 9 above.

23.2 Consumer and other receivables

Consumer and other receivables are recognised as set out in accounting policy 11 above. An impairment or bad debt loss is recognised when it is probable that the Municipality will not be able to collect all amounts due (principal and interest) according to the contractual terms of the accounts receivable. The assessment of objective indicators of impairment for accounts receivable is carried out at each balance sheet date.

An additional provision for future housing discounts is calculated based on the extended enhanced discount benefit scheme (EEDBS) introduced by the Department of Housing. The lesser of the selling price or the value of the ceiling on a discount to be given to prospective buyers, as set by the Minister is used, to calculate the contribution to the provision.

23.3 Cash and cash equivalents

Cash and cash equivalents are recognised as set out in policy 16 above.

23.4 Financial liabilities

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discounts or premiums on settlement. Gains and losses are recognised in net income or loss when liabilities are impaired as well as through the amortisation process.

23.5 Exemptions

KwaDukuza Municipality has taken advantage of the exemptions permitted by the Minister of Finance, in terms of General Notice 552 of 2007, and confirmed by National Treasury on 15 August 2007 with respect to financial instruments as follows:

- AC 133 (IAS 39) – initially measuring financial assets and financial liabilities at fair value.
- AC 144 (IFRS 7) – entire standard.

24. EXEMPTIONS

KwaDukuza Municipality has taken advantage of the following exemptions permitted by the Minister of Finance, in terms of General Notice 552 of 2007, and confirmed by National Treasury on 15 August 2007 as follows:

- AC 142 (IFRS 5) paragraphs 6-14, 15-29 and 38-42 – classification, measurement and disclosure of non-current assets held for sale and discontinued operations
- AC 115 (IAS 14) – Segment reporting
- AC 145 (IFRS 8) – Operating segments
- AC 109 (IAS 11) – Construction contracts
- AC 140 (IFRS 3) – Business combinations
- AC 128 (IAS 36) – Impairment of assets

The municipality has developed a plan to implement the above exemptions within the window period established by General Notice 552 of 2007 for submission to National Treasury on due date (31 October 2007). Progress will be evaluated in March 2008 when a revised plan is required to be submitted in terms of the General Notice.